



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager and the Electric Utility Director to Execute Electric and Natural Gas Energy Purchase and Sale Agreements (EUD)

MEETING DATE: February 20, 2001

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager and the Electric Utility Director to execute electric and natural gas energy purchase and sale agreements for periods up to ten years.

BACKGROUND INFORMATION: At the January 30, 2001, City Council Meeting, the City Council authorized the Northern California Power Agency (NCPA) to enter into long-term electric and natural gas energy purchase and sale contracts on behalf of the City of Lodi.

Continued volatility in the electric and natural gas markets coupled with recent defaults on the part of California investor owned utilities have created an environment of credit uncertainty between counterparties to many energy transactions. As a result, NCPA has been unable to enter into long-term energy transactions on behalf of the City. Counterparties to potential transactions are now requiring direct City approval of all transactions.

In order to meet appropriate bid price deadlines, it is imperative that the City be in a position to authorize purchase and sale transactions within the time frame allowed by the market participants – often less than 24 hours.

All reasonable attempts will be made by City staff to continue to bring term transactions before the Council where time permits. When doing so would jeopardize a transaction deemed to be in the City's best interest, it is requested that the City Manager or Electric Utility Director be authorized to approve energy purchase and sales transactions for a period up to ten (10) years.

FUNDING: Through existing Bulk Power Purchases

Alan N. Vallow
Electric Utility Director

PREPARED BY: Jack Stone, Manager, Business Planning and Marketing

ANV/JS/lst

C: City Attorney
Finance Director

APPROVED: _____

H. Dixon Flynn - City Manager

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY
MANAGER AND ELECTRIC UTILITY DIRECTOR TO EXECUTE ELECTRIC
AND NATURAL GAS ENERGY PURCHASE AND SALE AGREEMENTS

WHEREAS, at the January 30, 2001 City Council meeting, the City Council authorized the Northern California Power Agency (NCPA) to enter into long-term electric and natural gas energy purchases and sale contracts on behalf of the City of Lodi; and

WHEREAS, continued volatility in the electric and natural gas markets coupled with recent defaults on the part of California investor owned utilities have created an environment of credit uncertainty between counterparties to many energy transactions; and

WHEREAS, as a result, NCPA has been unable to enter into long-term energy transactions on behalf of the City. Counterparties to potential transactions are now requiring direct City approval of all transactions; and

WHEREAS, in order to meet appropriate bid price deadlines, it is imperative that the City be in a position to authorize purchase and sale transactions within the time frame allowed by the market participants, which is often less than 24 hours; and

WHEREAS, all reasonable attempts will be made by City staff to continue to bring term transactions before the Council where time permits; and

WHEREAS, when time is of the essence and a delay would jeopardize a transaction deemed to be in the City's best interest, staff recommends that the City Council authorize the City Manager or Electric Utility Director to approve energy purchase and sales transactions for a period up to ten (10) years.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby authorizes the City Manager or Electric Utility Director to execute Electric and Natural Gas Energy Purchase and Sale Agreements for periods up to ten years on behalf of the City of Lodi.

Dated: February 20, 2001

I hereby certify that Resolution No. 2001-34 was passed and adopted by the Lodi City Council in a special meeting held February 20, 2001 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land and Mayor Nakanishi

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – Pennino


SUSAN J. BLACKSTON
City Clerk